

Message Text

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ACTION STR-04

INFO OCT-01 EA-07 IO-13 ISO-00 STRE-00 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01
INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
EPG-02 AID-05 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01
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E.O. 11652: N/A
TAGS: ETRD, GATT, JA
SUBJECT: THROWN SILK

REFS: (A) STATE 169631; (B) TOKYO 10814

SUMMARY: MITI SPECULATION CONCERNING A PROMPT CONCESSION ON THROWN SILK (REFTEL B) APPEARS TO BE FROZEN BY OUR REFUSAL TO ACCEPT A "TOKEN ACCOMMODATION". MITI OFFICIALS (HARADA AND KURODA) AS WELL AS MOFA ARE PESSIMISTIC ABOUT THE CHANCES FOR A SIGNIFICANT GOJ CONCESSION PRIOR TO JULY 26, AND KURODA STATED THAT HE WELCOMES A GATT HEARING AS AN OPPORTUNITY TO PROVE THE WEAKNESS OF THE U.S. COMPLAINT. GIVEN THESE COMMENTS, WE CAN ONLY CONCLUDE THAT THERE IS LITTLE CHANCE OF A QUIET BILATERAL ACCOMMODATION THAT WILL AVOID RESORT TO THE GATT. END SUMMARY.

1. EMBOFF CALLED ON MITI AND CONVEYED SUBSTANCE OF REFTTEL A TO HARADA (TRADE DIV., CONSUMER GOODS IND. BUR.) AND KURODA (DIRECTOR, INTERNATIONAL ECONOMICS
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DIV., TRADE POLICY BUR.). HARADA ESSENTIALLY REPEATED POSITION DESCRIBED IN REFTTEL B, AND SAID THAT A "SIGNIFICANT" CONCESSION ON IMMEDIATE LICENSES OR QUANTITIES OF SILK IS MOST UNLIKELY--GRANTING A QUOTA WITH QUANTITIES ANYWHERE NEAR OUR "PEAK YEAR" (REF. A) WOULD TOO STRONGLY CONTRADICT MITI'S PRIOR PERMISSION SYSTEM WITH ITS PROVISION FOR AN OPEN

MARKET FOR NON-TRADITIONAL SUPPLIERS.

2. KURODA'S COMMENTS TOOK A CONSIDERABLY STRONGER LINE. AFTER EXPRESSING REGRET OVER THE ENTRY OF RETALIATORY MEASURES INTO THE THROWN SILK PROBLEM, KURODA SAID THAT NOT ONLY COULD MITI NOT MAKE A CONCESSION ON A U.S. THROWN SILK QUOTA BECAUSE OF DOMESTIC INDUSTRY PRESSURE AND PRESENT OVER-SUPPLY OF SILK ON THE JAPANESE MARKET, BUT THAT HE SAW NO REASON WHY MITI SHOULD WANT TO MAKE A CONCESSION. HE REPEATED EARLIER MITI ASSERTIONS THAT U.S. FIRMS, AS NON-TRADITIONAL SUPPLIERS, HAVE BEEN SENDING LOW-QUALITY THROWN SILK TO JAPAN ONLY TO CIRCUMVENT JAPAN'S RAW SILK IMPORT LAW. KURODA PERSONALLY WELCOMES THE CHANCE TO BRING THROWN SILK BEFORE THE GATT, SINCE HE FEELS THAT GATT PROCEEDINGS WILL PROVE THE WEAKNESS OF THE U.S. POSITION. KURODA ALSO SAID THAT MITI STRONGLY DESIRES A PANEL OR WORKING PARTY--IF, A THIRD-PARTY JUDGMENT TO CONSIDER THE U.S. THROWN SILK COMPLAINT IN GATT.

3. MOFA FIRST INTERNATIONAL ORGANIZATION DIV. REP. (NOZAKA) CONFIRMED MITI'S UNWILLINGNESS TO MAKE A SUBSTANTIAL CONCESSION PRIOR TO THE GATT COUNCIL MEETING. NOZAKA ALSO QUESTIONED THE FEASIBILITY OF A DIRECT APPEAL TO THE GATT COUNCIL AND SAID THAT THE LIMITED OFFICIAL USE

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GOJ NEEDS A MORE CLEAR UNDERSTANDING OF THE USG'S ATTITUDE TOWARD A PANEL OR WORKING PARTY.

4. COMMENT: ALTHOUGH HARADA DID NOT SAY SO EXPLICITLY, HIS EARLIER REFERENCE TO A PROMPT CONCESSION SEEMS TO BE NULLIFIED BY OUR POSITION ON A "TOKEN ACCOMMODATION". GIVEN HIS AND KURODA'S COMMENTS, THERE WOULD SEEM TO BE LITTLE CHANCE OF A GOJ MOVE THAT WOULD RESULT IN OUR ABANDONING A GATT ACTION.
MANSFIELD

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